

Reference: RCS/C.6

TREASURY CIRCULAR NO. 2/2017

THE PREMIER
THE MINISTER OF ECONOMIC OPPORTUNITIES
THE MINISTER OF COMMUNITY SAFETY
THE MINISTER OF CULTURAL AFFAIRS AND SPORT
THE MINISTER OF EDUCATION
THE MINISTER OF FINANCE
THE MINISTER OF HEALTH
THE MINISTER OF HUMAN SETTLEMENTS
THE MINISTER OF LOCAL GOVERNMENT, ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING
THE MINISTER OF SOCIAL DEVELOPMENT
THE MINISTER OF TRANSPORT AND PUBLIC WORKS
THE SPEAKER: PROVINCIAL PARLIAMENT
THE DEPUTY SPEAKER: PROVINCIAL PARLIAMENT

For information

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THE ACCOUNTING OFFICER: VOTE 2: PROVINCIAL PARLIAMENT (DR G LAWRENCE)
THE ACCOUNTING OFFICER: VOTE 3: PROVINCIAL TREASURY (MR Z HOOSAIN)
THE ACCOUNTING OFFICER: VOTE 4: COMMUNITY SAFETY (MR G MORRIS)
THE ACCOUNTING OFFICER: VOTE 5: EDUCATION (MR BK SCHREUDER)
THE ACCOUNTING OFFICER: VOTE 6: HEALTH (DR B ENGELBRECHT)
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THE ACCOUNTING OFFICER: VOTE 8: HUMAN SETTLEMENTS (MR T MGULI)
THE ACCOUNTING OFFICER: VOTE 9: ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING (MR P VAN ZYL)
THE ACCOUNTING OFFICER: VOTE 10: TRANSPORT AND PUBLIC WORKS (MS J GOOCH)
THE ACCOUNTING OFFICER: VOTE 11: AGRICULTURE (MS J ISAACS)
THE ACCOUNTING OFFICER: VOTE 12: ECONOMIC DEVELOPMENT AND TOURISM (MR S FOURIE)
THE ACCOUNTING OFFICER: VOTE 13: CULTURAL AFFAIRS AND SPORT (MR B WALTERS)
THE ACCOUNTING OFFICER: VOTE 14: LOCAL GOVERNMENT (MR G PAULSE)
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THE CHIEF FINANCIAL OFFICER: VOTE 3: PROVINCIAL TREASURY (MR A GILDENHUYS)
THE CHIEF FINANCIAL OFFICER: VOTE 4: COMMUNITY SAFETY (MR M FRIZLAR)
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THE CHIEF FINANCIAL OFFICER: VOTE 8: HUMAN SETTLEMENTS (MR F DE WET)
THE CHIEF FINANCIAL OFFICER: VOTE 9: ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING (MR T GILDENHUYS)
THE CHIEF FINANCIAL OFFICER: VOTE 10: TRANSPORT AND PUBLIC WORKS (MR CR ISMAY)
THE CHIEF FINANCIAL OFFICER: VOTE 11: AGRICULTURE (MR F HUYSAMER)
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THE CHIEF DIRECTOR: ASSET MANAGEMENT (MR IG SMITH)
THE CHIEF DIRECTOR: FINANCIAL GOVERNANCE AND ACCOUNTING (MR B VINK)
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THE DIRECTOR: LOCAL GOVERNMENT REVENUE AND EXPENDITURE (GROUP TWO) (MR M SIGABI)
THE DIRECTOR: LOCAL GOVERNMENT SUPPLY CHAIN MANAGEMENT (MR R MOOLMAN)
THE DIRECTOR: PROVINCIAL GOVERNMENT ACCOUNTING (MR A REDDY)
THE DIRECTOR: PROVINCIAL GOVERNMENT BUDGET OFFICE (MS RH SLINGER)
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DEFERMENT OF INVENTORY MANAGEMENT REPORTING IN TERMS OF THE MODIFIED CASH STANDARD

PURPOSE

1. The purpose of this Circular is to inform Accounting Officers and Chief Financial Officers of departments on the roll-out of inventory management and reporting based on the revised Modified Cash Standard issued by National Treasury in December 2016.

BACKGROUND

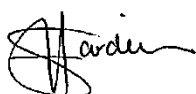
2. The Provincial Treasury (PT), with the assistance of a service provider have conducted assessments at departments to determine their readiness to report on inventory. This process highlighted specific impediments within departments that would prevent them from reporting on inventory in terms of the MCS from 1 April 2017 which could lead to audit risks.
3. The PT highlighted implementation issues to NT in a letter dated 28 October 2016. At a Provincial Accountant-General meeting, National Treasury acknowledged the risks relating to inventory reporting with effect from 1 April 2017.
4. The December 2016 amendments of the MCS chapter on inventory deferred the implementation date until further notice which will be covered by transitional provisions that will be communicated in a National Treasury circular.

MOTIVATION

5. The current outcome of the PT Inventory project has identified different stages of readiness across all departments in terms of policies, procedure, controls and systems.
6. Under the circumstance, PT advise that departments continue to prepare for full disclosure of inventory reporting in terms of the MCS, and to ensure that the following requirements are addressed:
 - Inventory Management Policies and procedures to be instituted.
 - Readiness assessment conducted and implementation issues identified.
 - Implementation plan developed and instituted by the CFO.
 - Stock takes conducted and asset registers updated.
7. Until NT has issued the transitional provisions for inventory reporting, departments are required to continue reporting on inventory in the annexure to the AFS in terms of the MCS.

RECOMMENDATION

8. Departments to address the requirements spelt out in paragraph 6 above with a target date of 28 February 2017 for the finalisation of the inventory management and reporting implementation plans done in consultation with the Provincial Treasury.



MR A HARDIEN
PROVINCIAL ACCOUNTANT-GENERAL

DATE: 5 February 2017